April 28, 2003

The Honorable Michael K. Powell
Chairman
Federal Communications Commission
445 12th Street, S.W.
Suite 8B201
Washington, D.C. 20554

Dear Chairman Powell:

Re: Reply Comments to Federal-State Joint Board on Universal Service, CC Docket 96-45; and CC Dockets 98-171, 90-571, 92-237, 99-200, 95-116, 98-170

As the FCC prepares to issue a final ruling on proposed changes to the way in which the Universal Service Fund (USF) is collected, AARP would like to reiterate and reemphasize views submitted to the Commission in August of last year. AARP has been a strong supporter of the universal service fund, recognizing its importance in providing essential telecommunications services to traditionally underserved communities. We are firmly on record supporting the elimination of surcharges and line items as a means to collect universal service funds. Absent elimination of such charges, however, the existing system of collecting contributions is preferable to the contemplated move to a per-line charge.

AARP has lent its support to the implementation of the Universal Service Fund, particularly the assistance it provides to low-income consumers, since its inception. We have actively promoted the Lifeline/Link-Up programs within the community. In fact, the Commission participated in an event AARP sponsored with the Florida Public Service Commission in Tallahassee last year to educate consumers about the two telephone savings programs. Therefore, we have a clear understanding of the need to adequately fund the program. We believe that a mechanism that levies contributions from every consumer equitably, based on a percentage of the charges assessed for long distance calls, would provide the monies needed to implement the USF without having to make any changes to the existing formula. By "equitably," we mean that special exemptions or preferential rates should not be afforded certain classes of consumers, as is currently the case. The carriers who employ this practice continue to unfairly discriminate against residential consumers, and AARP believes that now is the time to discontinue the practice.

We are concerned that the move to a per-line charge would further institutionalize the universal service line-item charge. Such a change in regulation now would diminish chances of eliminating the per-line charge from consumer's monthly bills, as we have contended it should be in previous filings with the Commission. However, the existing funding mechanism at least does not penalize consumers who make few or no long distance telephone calls. Under the proposed funding mechanism, these low-volume long distance service callers would be required to pay the bulk of the funding for Universal Service. Based on comments filed with the Commission during its review of low-volume long-distance users in 1999, some 44% of consumers fall into this category. While the goal of the Universal Service Fund is to maintain affordable rates for all consumers, this proposal appears to ask those who most need help to provide a disproportionate amount of the funding.

Ideally, all consumers should see their monthly USF charges decline to $.00 through a system that would allow carriers to recover their cost in rates as a legitimate cost of business. AARP believes that the elimination of line-item charges would advance universal service and ultimately benefit more residential consumers. Absent that fundamental shift, however, we support maintaining the existing system of funding the Universal Service Fund based on a percentage of the cost of long distance phone calls a consumer makes. We commend the Commission for increasing the "safe harbor" percentage for wireless carriers in your interim ruling as a means to better capture the true percentage of long-distance calls. We hope that you maintain this system so that carriers can assign the percentage recovery equitably preventing residential consumers from being further disadvantaged.

In summary, adequate funding of the universal service program is of critical importance. AARP commends the Commission for seeking the appropriate means with which to implement the program. However, we believe that the move to a per-line charge would be harmful to the very population the fund seeks to help. Therefore, we reiterate our request that the Commission not adopt a per-line cost recovery mechanism and offer our assistance in continuing to seek more suitable alternatives.

If you have any further questions, feel free to call me, or have your staff contact Jeff Kramer of our Federal Affairs staff at 434-3800.

Sincerely,

David Certner
Director
Federal Affairs